

# Fiscal Note

*Fiscal Services Division*



---

**SF 58** – Social Security Income Tax Exemption (LSB1139XS)  
Analyst: Jeff Robinson (Phone: (515)281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))  
Fiscal Note Version – New

---

## **Description**

**Senate File 58** excludes Social Security income from the calculation of Iowa's individual income tax filing thresholds, and from the alternative tax calculation available to taxpayers with incomes just above the filing thresholds. The change is retroactive to tax year (TY) 2017.

## **Background**

By law, Social Security income is exempt from Iowa income tax. However, Social Security income is included in determining whether a taxpayer exceeds the income threshold for filing a tax return. If a taxpayer does not have sufficient income to require the filing of a tax return, all income of that taxpayer is exempt from tax. Including Social Security income in the filing threshold calculation creates situations in which other income of the taxpayer is subject to income tax, whereas that income would not be taxed if the Social Security income were not included in the filing threshold calculation.

The alternative tax calculation benefits taxpayers with income just above the filing thresholds. Excluding Social Security income from the alternative tax calculation will benefit taxpayers with Social Security income whose income level is just above the income filing thresholds.

## **Assumptions**

The Department of Revenue utilized the Individual Income Tax Micro Model to develop the estimate for this Bill. The model is based on actual income tax returns filed by Iowa taxpayers for TY 2015. The TY 2015 returns are modified for assumed annual changes in Iowa's population and individual income sources.

## **Fiscal Impact**

The two changes in the Bill are projected to reduce net General Fund revenue by the following amounts:

- FY 2017 = \$-0.1 million
- FY 2018 = \$-7.4 million
- FY 2019 = \$-7.7 million

The negative General Fund fiscal impact is projected to continue for future fiscal years. The changes also reduce the amount of revenue raised by the local option income surtax for schools by a projected \$250,000 per year, beginning FY 2018.

## **Source**

Department of Revenue

---

/s/ Holly M. Lyons

February 28, 2017

---

The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

---